

WATER/SNR/TAC/RSK:jrb**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4451****January 8, 2004****R E S O L U T I O N**

**(RES. W-4451), GEYSERVILLE WATER WORKS (GWW). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$61,981 OR 58.6% IN
2003.**

SUMMARY

By Draft Advice Letter, filed on April 3, 2003, GWW seeks an increase in its rates for water service to recover increased expenses of operation and earn an adequate return on its plant investment. For Test Year 2003, this resolution grants an increase in gross annual revenues of \$61,981 or 58.6%, which is estimated to provide a rate of return on rate base of 13.40%.

BACKGROUND

GWW is owned by Mr. and Mrs. Harry Bosworth and serves 294 metered and flat rate customers in Geyserville, Sonoma County. The service territory is primarily residential with a limited commercial area along Highway 101.

GWW has requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates by 63.3% or \$67,599, for Test Year 2003. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return on an increased rate base. GWW's request shows gross revenues of \$106,870 at present rates increasing by 63.3% (or \$67,599) to \$174,469 at proposed rates. GWW is requesting a rate of return on rate base of 13.83%.

GWW's current rates became effective on December 19, 2000 pursuant to Resolution W-4179, which authorized a general rate increase of \$12,700, or 14%.

DISCUSSION

The Water Division (Division) made an independent analysis of GWW's summary of earnings and issued its report in December 2003. Appendix A shows GWW's and the Branch's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences in GWW's and the Branch's estimates in operating revenues, expenses, and rate base. GWW was informed of the Branch's differing views of revenues, expenses and rate base and agrees with the Branch's findings.

In D.92-03-093, effective April 30, 1992, the CPUC adopted the operating ratio method of ratemaking as an alternative to the rate of return method for Class C and Class D utilities. Thus, two methods are available for Staff to utilize in the ratemaking process: Return on Rate Base (net investment) and Operating Ratio. Staff is required to calculate the revenue requirement utilizing both the rate of return method and the operating ratio method. Policy dictates that Staff will recommend the method that produces the higher revenues. Comparison of the revenue requirement using both methods indicates that the return on rate base method produces a higher revenue requirement. In keeping with policy, staff used the return on rate base method for determining the revenue requirement.

GWW's draft advice letter requested rates that would produce a return on rate base of 13.83%. The summary of earnings in Appendix A shows a rate of return of 13.40% at adopted rates. This rate of return is the high-point of the rate of return range for Class D water utilities recommended by the Division's Audit and Compliance Branch to reflect a well-run operation with excellent customer service.

Decision 92-03-093 allows Class D utilities to recover up to 100% of fixed costs in their readiness to serve charge. GWW, however, requested that only 80% of fixed costs be recovered through the service charge to promote water conservation and thereby delay the development of additional water supplies and storage. Branch concurs and the rates shown in the service charge rates shown in Appendix B recover only 80% of the utility's fixed cost. GWW's current rate structure consists of two schedules: Schedule No. 1, General Metered Service; and Schedule No. 2, General Flat rate Service. The new rate schedules can be found in Appendix B. A bill comparison can be found in Appendix C. At the Branch's recommended rates shown in Appendix B, the bill for a typical residential customer with a 5/8 X 3/4- inch meter using 2200 cubic

feet of water will increase from \$25.08 to \$39.93 per month. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

NOTICE AND PUBLIC MEETING

A notice of the proposed rate was mailed to each customer on August 5, 2003. The Division received one letter protesting the magnitude of the rate increase, which it has answered. The Division has not received any complaints in the last twelve months.

A public meeting was held on August 27, 2003 at 6pm at the Geyserville Elementary School in Geyserville. The Commission representative explained the rate setting procedures and the GWW representatives explained the reasons for the proposed increase and system improvements. Two customers were present and they expressed concern that the proposed rates did not do enough to encourage water conservation, but they were generally satisfied with the service and system improvements.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. GWW has been filing annual reports as required. According to the Department of Health Services, the utility currently meets all applicable water quality standards.

Although there have been little to no complaints during the past 5 years, the utility should maintain a file to record customer complaints and the actions taken to resolve the complaints. Such records should be maintained in a binder in the utility's offices for a minimum of 5 years, or until the next General Rate Case, and be available for inspection by Commission staff at anytime.

FINDINGS

1. The Staff's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Staff (Appendix B) are reasonable and should be adopted.

3. The quantities (Appendix D) used to develop the Staff's recommendations are reasonable and should be adopted.
4. The rate increase proposed by the Staff is justified. The resulting rates are just and reasonable.
5. GWW was informed of the Branch's differing views of revenues, expenses and rate base and agrees with the Branch's findings.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Geyserville Water Works to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, and concurrently cancel its presently effective rate Schedule No. 1, General Metered Service, and Schedule No. 2, General Flat Rate Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Geyserville Water Works is authorized to increase its annual revenues by \$61,981 or 58.6%, based on reasonable rates for 2003.
3. Geyserville Water Works shall maintain a binder for complaint logging. Such records should be maintained in the utility's office for a minimum of 5 years, or until the next General Rate Case, and available for inspection by Commission staff at anytime.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 8, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

Appendix A
Geyserville Water Works

Summary of Earnings
Test Year 2003

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Adopted</u>
	<u>Present</u>	<u>Requested</u>	<u>Present</u>	<u>Requested</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
<u>Operating Revenue</u>					
Flat	\$23,242	\$47,708	\$20,652	\$33,724	\$32,760
Metered	\$83,628	\$126,761	\$85,067	\$141,522	\$134,940
	<u>\$106,870</u>	<u>\$174,469</u>	<u>\$105,719</u>	<u>\$175,246</u>	<u>\$167,700</u>
<u>Operating Expenses</u>					
615 Power	\$11,000	\$11,000	\$9,673	\$9,673	\$9,673
618 Other Volume Related Expenses	\$1,730	\$1,730	\$1,730	\$1,730	\$1,730
630 Employee Labor	\$0	\$0	\$0	\$0	\$0
640 Materials	\$0	\$0	\$0	\$0	\$0
650 Contract Work - General	\$4,800	\$4,800	\$4,380	\$4,380	\$4,380
Water Testing	\$2,365	\$2,365	\$2,074	\$2,074	\$2,074
660 Transportation Expenses	\$3,250	\$3,250	\$3,250	\$3,250	\$3,250
664 Other Plant Maintenance	\$640	\$640	\$640	\$640	\$640
670 Office Salaries	\$15,375	\$15,375	\$15,375	\$15,375	\$15,375
671 Management Salaries	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
674 Employee Pensions & Benefits	\$0	\$0	\$0	\$0	\$0
676 Uncollectibles Expense	\$0	\$0	\$200	\$200	\$200
678 Office Services & Rentals	\$3,150	\$3,150	\$3,150	\$3,150	\$3,150
681 Office Supplies & Expenses	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
682 Professional Services	\$1,000	\$1,000	\$716	\$716	\$716
684 Insurance	\$2,132	\$2,132	\$2,612	\$2,612	\$2,612
688 Regulatory Commission Expense	\$0	\$0	\$0	\$0	\$0
689 General Expenses	\$1,200	\$1,200	\$1,003	\$1,003	\$1,003
Subtotal	<u>\$67,442</u>	<u>\$67,442</u>	<u>\$65,603</u>	<u>\$65,603</u>	<u>\$65,603</u>
Depreciation	\$14,000	\$14,000	\$13,893	\$13,893	\$13,893
State Tax	\$2,248	\$5,976	\$2,029	\$8,176	\$7,509
Federal Income Tax	\$3,477	\$15,182	\$3,444	\$16,077	\$14,357
Taxes Other than Income Taxes	\$2,621	\$2,621	\$3,266	\$3,266	\$3,266
Total Taxes:	<u>\$8,346</u>	<u>\$23,779</u>	<u>\$8,739</u>	<u>\$27,519</u>	<u>\$25,132</u>
Interest:	\$0	\$0	\$0	\$0	\$0
Total Deductions	<u>\$89,788</u>	<u>\$105,221</u>	<u>\$88,235</u>	<u>\$107,015</u>	<u>\$104,628</u>
Net Revenue	<u>\$17,082</u>	<u>\$69,248</u>	<u>\$17,484</u>	<u>\$68,231</u>	<u>\$63,072</u>
<u>Rate Base</u>					
Average Plant	\$1,051,723	\$1,051,723	\$1,032,603	\$1,032,603	\$1,032,603
Average Accumulated Depreciation	\$203,749	\$203,749	\$225,712	\$225,712	\$225,712
Net Plant	<u>\$847,974</u>	<u>\$847,974</u>	<u>\$806,890</u>	<u>\$806,890</u>	<u>\$806,890</u>
<u>Less</u> Advances	\$0	\$0	\$0	\$0	\$0
Contributions	\$347,242	\$347,242	\$347,242	\$347,242	\$347,242
<u>Plus</u> Working Cash	\$0	\$0	\$10,128	\$10,128	\$10,128
Materials & Supplies	\$0	\$0	\$1,000	\$1,000	\$1,000
Rate Base:	<u>\$500,733</u>	<u>\$500,733</u>	<u>\$470,777</u>	<u>\$470,777</u>	<u>\$470,777</u>
<u>Rate of Return</u>	<u>3.41%</u>	<u>13.83%</u>	<u>3.71%</u>	<u>14.49%</u>	<u>13.40%</u>

APPENDIX B

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Geyserville Water Works

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service

TERRITORY

Geyserville and vicinity, Sonoma County.

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rate:		
All water, per 100 cu. ft.	\$ 0.919	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 20.10	(I)
For 3/4-inch meter	\$ 30.20	(I)
For 1-inch meter	\$ 50.40	(I)
For 1-1/2-inch meter	\$ 100.70	(I)
For 2-inch meter	\$ 161.20	(I)
For 3-inch meter	\$ 302.20	(I)
For 4-inch meter	\$ 503.60	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

Resolution W-4451 **DRAFT**
GWW/DRAFT AL/SNR/TAC/RSK:jrb

January 8, 2004

APPENDIX B

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Geyserville Water Works

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Geyserville and vicinity, Sonoma County.

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single family residential unit	\$ 51.70	(I)
a. For each additional single family unit on the same premises and served from the same service connection	\$ 38.80	(I)
2. For commercial establishments	\$ 41.35	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. For service covered by the above classifications, if the utility or customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

Resolution W-4451 **DRAFT**
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January 8, 2004

APPENDIX C

Monthly Bill Comparison for a customer with a 5/8 x 3/4 -inch metered service:

Usage - Ccf	Present Rates	Recommended Rates	Amount Increase	Percent Increase
0	\$13.00	\$20.10	\$7.10	55%
5	\$15.80	\$24.70	\$8.90	56%
10	\$18.60	\$29.29	\$10.69	58%
22 – avg.	\$25.08	\$39.93	\$14.85	59%
30	\$29.80	\$47.67	\$17.87	60%
40	\$35.40	\$56.86	\$21.46	61%

Appendix D
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Geyserville Water Works

Adopted Quantities
Test Year 2003

Purchased Power	
Pacific Gas and Electric Company	
Effective Date April 1, 2003	
Schedule A-6 P Small General Time-of-Use Service - Polyphase	
Energy Charge (per kWh per Summer (5/1 – 10/31) month)	
Peak	\$0.34322
Part-Peak	\$0.15839
Off-Peak	\$0.10169
Energy Charge (per kWh per Winter month)	
Part-Peak	\$0.17113
Off-Peak	\$0.11720
Meter Charge, per meter per day	
Rate A6	\$0.22341
Customer Charge, per meter per day	
Polyphase Service	\$0.39425
Water Production	87,000 Ccf
Total kWh	71,790
kWh/Ccf	.83
Unit Cost (\$/kWh)	\$.1347
Total Purchased Power Cost	\$9,673
Consumption	61,369 Ccf
Ad Valorem Taxes	\$3,266
Insurance	\$2,612
Water testing	\$2,074

Appendix D
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Geyserville Water Works

Adopted Quantities
Test Year 2003

Customers

5/8 -inch meter	219
3/4 -inch meter	1
1 -inch meter	3
1 ½ -inch meter	5
2 -inch meter	9
Total	237

Single Family Residences	38
Additional units on SFR	5
Commercial Establishments	14
Total	57

Tax Calculations

Operating Revenues	\$ 167,700
Expenses	\$ 65,603
Depreciation	\$ 13,893
Taxes other than Income	\$ 3,266
Taxable Income for State	\$ 84,938
State tax	\$ 7,509
Taxable Income for Federal	\$ 77,430
Federal tax	\$ 14,357